

Message Text

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PAGE 01 TEL AV 02925 261637Z
ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07
L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15
USIA-15 AID-05 EB-08 TRSE-00 STR-04 OMB-01 CEA-01
COME-00 FRB-01 XMB-04 OPIC-06 LAB-04 SIL-01 ABF-01
FSE-00 SEC-01 /104 W
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FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 5883

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E.O. 11652:N/A
TAGS:EFIN, IS
SUBJECT:PRESS REPORTS DEVALUATION EXPECTATIONS; EXPORTS DOWN

1. RECENT PRESS REPORTS, NOTABLY MAARIV, APRIL 24, HAVE
CONTENDED THAT PUBLIC EXPECTATIONS OF A SIGNIFICANT
DEVALUATION OF THE ISRAELI POUND HAVE RISEN.THE FOLLOWING
EVIDENCE IS CITED: (A)THE NATAD DOLLAR RATE HAS RISEN
TO IL 12.04-\$1.00, 30 PERCENT OVER THE OFFICIAL RATE;
(B) THE BLACK MARKET DOLLAR RATE IS UP IL IL 10.97, 18
PERCENT ABOVE THE OFFICIAL RATE; (C) THE PUBLIC SEEMS
TO BE STEPPING UP ITS BUYING OF IMPORTABLE DURABLE GOODS
IN ANTICIPATION OF A DEVALUATION; AND (D) FOREIGN
CURRENCY DEBTS ARE BEING PAID OFF RAPIDLY.

2.THE ONLY INDICATORS WHICH HAVE ANY STATISTICAL
BACKING ARE THE NATAD AND BLACK MARKET RATES, WHICH GIVE
MIXED SIGNALS. THE NATAD RATE, SET IN THE TEL AVIV
STOCK MARKET, IS AN INDICATOR OF THE DEMAND FOR DOLLARS
WHICH MAY BE USED TO PURCHASE FOREIGN SECURITIES.
THE DOLLARS ARE SUPPLIED TO THE MARKET BY HOLDERS OF
BLOCKED RESTITUTION ACCOUNTS (TAMAM), OR BY PREVIOUS
PURCHASERS OF NATAD DOLLARS. THE RISE IN THE RATE
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PAGE 02 TEL AV 02925 261637Z

REFLECTS EITHER SPECULATION AGAINST THE POUND OR
EXPECTATIONS OF HIGH RATES OF RETURN IN FOREIGN SECURITIES
MARKET; THE LTTER CASE IS NOT IN ITSELF AN INDICATION
OF DECLINING CONFIDENCE IN THE POUND.THE BLACK
MARKET RATE, AT ONLY 18 PERCENT ABOVE THE OFFICIAL RATE,
DOES NOT INDICATE ANY SPECULATION AGAINST THE POUND,
SINCE THE RATE IS NEAR ITS FLOOR, WHICHIS THE OFFICIAL

RATE PLUS 15 PERCENT PREMIUM THAT ISRAELIS PAY IN
THE OFFICIAL MARKET FOR DOLLARS WHEN THEY TRAVEL ABROAD.

3.THE DURABLE GOODS CONTENTION IS UNSUPPORTED SINCE
RECENT STATISTICS ARE NOT AVAILABLE, ALTHOUGH THERE COULD
BE SOME BUYING IN ANTICIPATION OF HIGHER TAXES AND DUTIES
BY THE NEW GOVERNMENT TO BE FORMED THIS SUMER.THERE
DOES SEEM TO BE A LEAD-LAGS PHENOMENON APPEARING IN THE
EXPORTERS CREDIT MARKET,WHERE ISRAELI TRADERS ARE
PAYING OFF THEIR FOREIGN CURRENCY DEBT AND REFRAINING
FROM DRAWDOWNS ON DEBT IN FOREIGN CURRENCY. THIS COULD
BE OCCURRING FOR OTHE REASONS, HOWEVER,SUCH AS A
DESIRE TO DRESS UP FIRST QUARTER BALANCE SHEETS OR SIMPLY
THE NORMAL RESULT OF INCREASED EXPORT PROFITABILITY.

4. ISRAELI COMMODITY EXPORTS HAVE REGISTERED A DECLINE
OVER THE PREVIUS QUARTER.ON A SEASONALLY ADJUSTED
BASIS, EXPORTS THROUGH MARCH 31 AMOUNTED TO \$653.1 MILLION,
WITH EXPORTS FALLING TO \$199.5 MILLIONIN MARCH, THE
LOWEST LEVEL SINCE SEPTEMBER, 1976.FOURTH QUARTER
1976 EXPORTS, AGAIN ON A SEASONALLY ADJUSTED BASIS,
WERE VALUED AT \$670.9.

5. COMMENT: RUMORS OF A DEVALUATIN, I.E., LARGER
THAN THE CURRENT CREEPING DEVALUATIONS OF 2 PERCENT PER
MONTHS,ARE NOT PARTICULARLY SURPRISING IN VIEW OF THE
DEVELOPMENTS CITED ABOVE WHICH ARE OCCURRING AGAINST
THE BACKGROUND OF WIDESPREAD CONCERN ABOUT THE STATE OF
THE ECONOMY.HOWEVER, WE DO OT EXPECT A LARGE
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PAGE 03 TEL AV 02925 261637Z

DEVELUATION AT THIS TIME A MORE LIKELY MOVE, IF THE
EXPORT PICTURE DOES NOT PICK UP, WOULD BE TO CONDUCT
SMALL DEVALUATIONS AT MORE FREQUENT INTERVALS.
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Disposition Event:
Disposition History: n/a
Disposition Reason:
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